

AR14

October 10, 1967.

CENTRAL-DEL RIO OILS LIMITED

Current Price 21½ Dividend \$0.26 Yield: 1.2% 1966 earnings \$0.62 P.E.R. 34.7
1966 cash flow \$1.10 P x C.F. 19.5

This material is not to be construed in any sense as a solicitation of orders, but is FOR INFORMATION ONLY.

CAPITALIZATION
(as at December 31st, 1966)

Funded Debt..... None
Capital Stock:
Authorized - 10,000,000 shares N.P.V.
Issued - 6,603,654 shares \$27,786,988
Surplus..... 12,144,628
\$39,931,616

Opinion - The Company has an excellent land position in Northwestern Alberta and the recent oil success at Black Creek opens up a new area for exploration. We are of the opinion that the shares of this Company should be included in any package of Western oils.

The Company - Central-Del Rio is an exploration, production and development Company whose main crude production comes from the Weyburn field in Saskatchewan.

The Company has a good land spread in Northern Alberta, but until recently, drilling results have been disappointing. However, in July, a well was drilled in the Black Creek area of Northwest Alberta which has been described by the Company as an excellent Keg River Oil discovery. Central-Del Rio has a 50% interest in this well with Aquitaine (45%) and the operator, Banff Oil (5%). Since this discovery, two step-outs have been drilled. The first, which is 1¼ mile east of the discovery well, has been confirmed as a Keg River oil strike, while the second, which is about 3 1/4 miles southeast of the initial discovery, has been confirmed as a wet gas discovery. Also, in partnership with Union Oil, the Company is drilling two exploratory wells northeast of the Black Creek discovery. Union and Central-Del Rio have a large joint acreage position north and west of the current exploratory area.

Crude production in the first half of 1967 declined 5% from the comparable period of 1966. It is thought that much of the decline can be attributed to a peaking out of production from some of the Company's Saskatchewan properties. Further development drilling is planned in an attempt to prove up additional reserves.

Of the outstanding shares 49.9% is held by two subsidiaries of Canadian Pacific Railway: Canadian Pacific Oil & Gas and Canadian Pacific Investments.

	<u>Selected Statistics</u>			<u>First Half</u>	
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1966</u>	<u>1967</u>
Gross Revenues (\$000)	7,749	8,858	10,207	4,981	4,818
Cash Flow per Share	0.85	0.98	1.10	0.55	0.50
Net Profit per Share	0.33	0.50	0.62	0.28	0.26

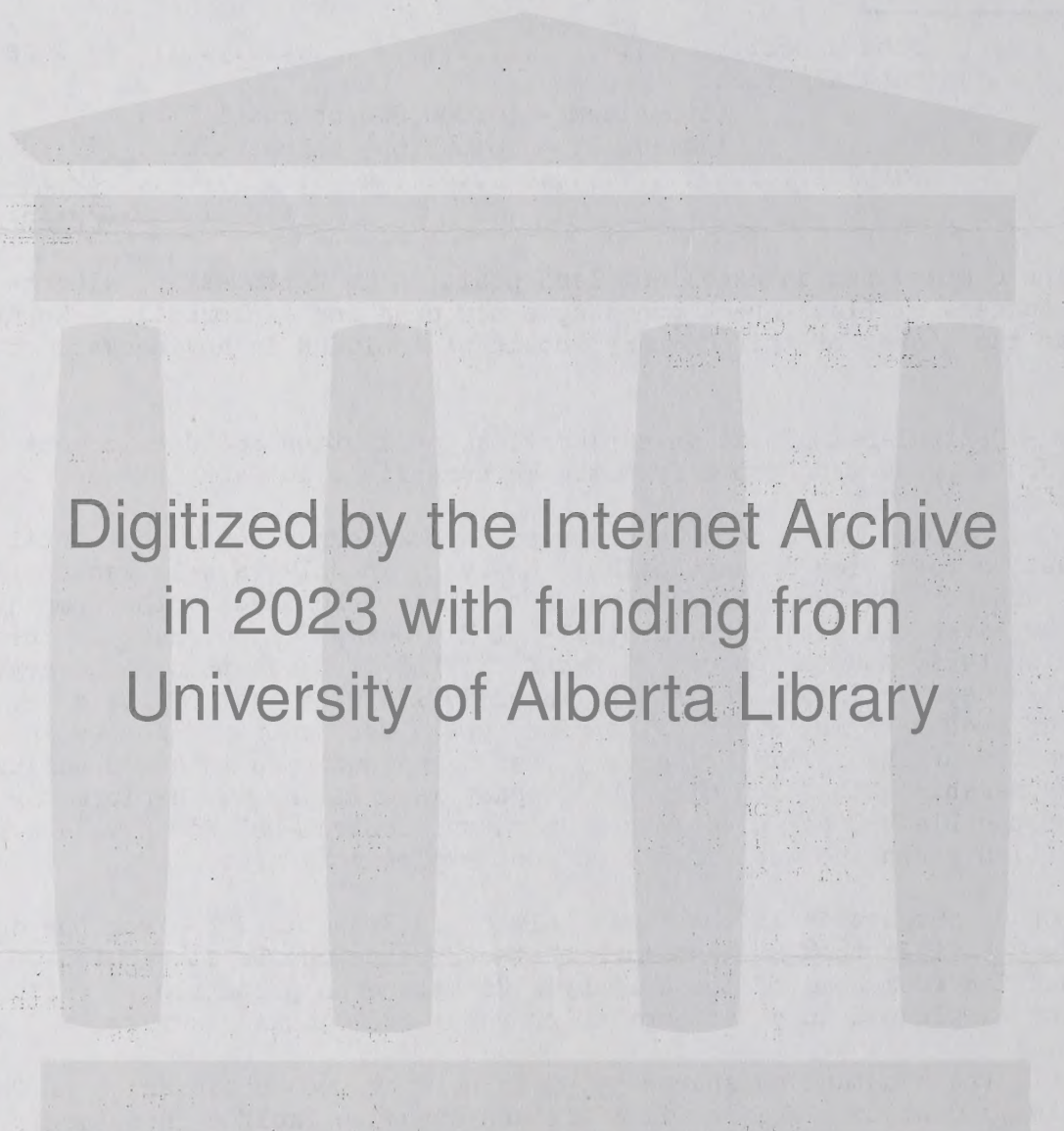
Production

Net Oil Sales (000 bbl)	2,855	3,370	3,844	1,946	1,852
Net Acreage (000)	1,763	2,523	3,137	-	2,912

Reserves

Not stated.

DKA/lh



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Cent0713_1967

CENTRAL-DEL RIO OILS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Third Quarter		First Nine Months	
	1967	1966	1967	1966
Income:				
Crude oil sales, less royalties paid	\$2,083,128	\$2,292,912	\$6,384,279	\$6,747,623
Other — fees, investment and miscellaneous	326,579	369,566	842,960	895,935
	<u>2,409,707</u>	<u>2,662,478</u>	<u>7,227,239</u>	<u>7,643,558</u>
Expenses:				
Production and field	488,610	534,103	1,436,528	1,420,100
Administrative and general	228,267	227,024	744,483	700,457
	<u>716,877</u>	<u>761,127</u>	<u>2,181,011</u>	<u>2,120,557</u>
Cash generated from operations, before income taxes	1,692,830	1,901,351	5,046,228	5,523,001
Depletion and depreciation	682,000	925,000	2,287,000	2,596,000
Net profit, before income taxes	1,010,830	976,351	2,759,228	2,927,001
Provision for (refund of) income taxes	(17,820)	—	(17,820)	100,000
Net Profit	<u>\$1,028,650</u>	<u>\$ 976,351</u>	<u>\$2,777,048</u>	<u>\$2,827,001</u>
Cash generated per share	25c	29c	75c	84c
Net profit per share	15c	15c	41c	43c
*Cash dividend paid	\$ —	\$ —	\$ 733,432	\$ 525,890
per share	—	—	11c	8c
Number of shares outstanding	6,701,491	6,592,393	6,701,491	6,592,393

* A further semi-annual dividend of 11c per share and an extra dividend of 4c per share have been declared payable December 15, 1967 to shareholders of record November 17, 1967.

SUBJECT TO ADJUSTMENT AND AUDIT AT END OF YEAR

CONSOLIDATED FINANCIAL AND OPERATING SUMMARY

	September 30		December 31	
	1967		1966	
Financial				
Working capital	\$ 2,805,044		\$ 3,593,651	
Fixed assets — net	38,939,819		35,365,688	
Miscellaneous	1,016,134		972,277	
Total assets — net	<u>\$42,760,997</u>		<u>\$39,931,616</u>	
Capital stock	\$28,572,753		\$27,786,988	
Surplus	14,188,244		12,144,628	
Shareholders' investment	<u>\$42,760,997</u>		<u>\$39,931,616</u>	
Operating				
	Third Quarter	First Nine Months		
	1967	1966	1967	1966
Net oil sales — barrels	896,940	953,175	2,748,832	2,899,449
Daily average — barrels	9,749	10,361	10,069	10,621

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

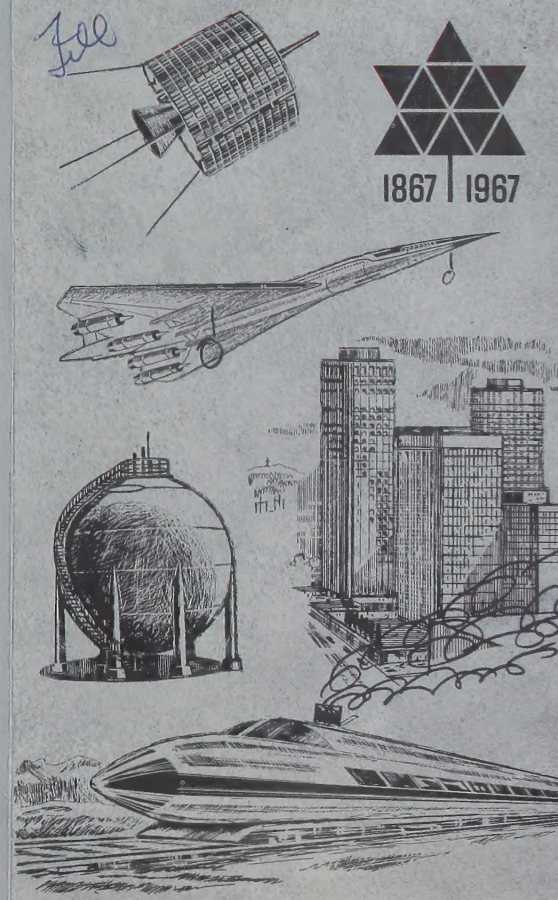
	First Nine Months	
	1967	1966
Source of funds:		
Cash generated from operations, before income taxes	\$ 5,046,228	\$ 5,523,001
Provision for (refund of) income taxes	(17,820)	100,000
	5,064,048	5,423,001
Proceeds from issue of capital stock	785,765	96,428
	<u>\$ 5,849,813</u>	<u>\$ 5,519,429</u>
Application of funds:		
Capital expenditures:		
Lands, leases and well costs	\$ 5,444,628	\$ 3,936,151
Plant and equipment	416,503	586,060
	5,861,131	4,522,211
Increase in drilling, reservation and other deposits	43,857	107,078
Payment of dividends	733,432	525,890
Increase (Decrease) in working capital	(788,607)	364,250
	<u>\$ 5,849,813</u>	<u>\$ 5,519,429</u>

CENTRAL-DEL RIO OILS LIMITED



INTERIM REPORT
NINE MONTHS & THIRD QUARTER 1967

"Developing Canada's Resources"



736 EIGHTH AVENUE SOUTH WEST
CALGARY, ALBERTA

In our first quarter and first half reports to you in this, Canada's centennial year, we have expressed our pride in the contribution Central-Del Rio has been able to make to the development of this fine country and, at the same time, we have voiced our concern over two problems which might seriously restrict the nation's ability to continue its progress toward the greatness which it is capable of attaining. We referred to the increasing propensity of Canadians to allow government to do for them things they would be better advised to do for themselves and the attempt, represented by the unrealistic report of the Carter Royal Commission on Taxation, to reorganize the economic and social structure of the country through taxation, with very serious implications for the nation in general and the natural resource based industries in particular. The Minister of Finance has now indicated that the Carter recommendations will not play a significant part in future changes in the income tax law. This is good news, but it does not by any means dispose of Canada's fiscal difficulties.

The subjects of our earlier comments are more closely related than is generally recognized and they are part of another problem which is now receiving a great deal of public attention but which does not seem to be coming close to solution — the alarming growth of government and government spending at all levels, but most notably at the national level.

If your child begs for a large bag of candy you don't give it to him. You give him only a little bit. If you give him the whole thing he will be sick. Canadians, like unknowing children, have asked for, or have been told by politicians that they want, a lot of candy in the form of social welfare; and government, like the unwise parent, has given it to them, either because it has overestimated their capacity to resist stomach ache or because it has seemed expedient to do so in the interest of a happy parent-child relationship, or both. The result is that the child is ill and the relationship is less than happy.

The doctor has been called in, however, and has prescribed treatment — for the parent. It is all very

simple. The government needs a large transfusion of money from the taxpayer. Under medicare, it will receive still another transfusion next June. It seems to us that a different prescription would have been more appropriate. How about a diet for the child, with smaller portions of social welfare? The prescribed treatment may well sap the patient's will to recover by destroying his initiative. Perhaps the taxpayer, left with the resources to do so, would effect his own cure. In the past, Canadians have managed to provide government with the funds required for the conduct of public affairs by investing their money in ways which have produced increasing wealth to be taxed on a reasonable basis. Is there any reason to believe that they cannot do so in future?

Although it would obviously be unreasonable to expect even the basic governmental needs of an increasing population in a rapidly developing industrial society to be provided by a static establishment with a permanent ceiling on expenditures, it is not unreasonable to expect elected representatives and administrative officials to keep a check on the growth of the establishment and the rate of government spending by being intelligently selective in their choice of programs when it is clear that all that may be desired cannot be proceeded with at once without undue strain on the economy.

Many social welfare programs are sold to the public as involving little or not cost. This is impossible. We don't get something for nothing and, by and large, the only money that government can have is that which can be extracted from the public through taxation. If the taxpayer knew what these programs do cost, not only in terms of dollars paid to the tax gatherer but also in terms of the resulting limitations on the economy's ability to grow for the benefit of all citizens, he would, in many cases, refuse to have any part of them or insist that they be modified or deferred until such time as the nation can afford them.

It has been fashionable lately in government circles to reprove the citizenry for demanding too much and to urge individuals and corporations to exercise restraint in spending. While there is, no doubt, some basis for this kind of talk, it is not as appropriate as some people in government would have us believe, because many programs undertaken by government are not demanded by the public at all, medicare being a prime example; and it would seem that it is time that government began to practice what it preaches. Between 1961 and 1965 government spending in the United States increased by approximately one-quarter while that country was involved in the Vietnam war. In the same period, expenditures by government in Canada increased by one-third, and Canada had no such unusual situation to contend with.

Government is big business but, unlike business in the private sector of the economy, it has not recognized the need for long-term planning. This is a defect which is in most urgent need of correction. A constant review of government programs must be instituted so that those which are no longer required may be eliminated and those which the country cannot afford will not be undertaken. Surely this would be a much more satisfactory and much less dangerous way to carry on the public business than is the prevailing practice of adopting any and all programs, however desirable they may be, which appear attractive from a political point of view, without apparent regard for their real cost to Canada. As things now stand, we move from one fiscal crisis to another, with tax increase following tax increase to fight the fires caused by lack of foresight and with wage and salary increases following the tax increases in a never-ending spiral of inflation which threatens to price Canadian goods out of international markets and subject them to ever-increasing foreign competition at home. If this is the prospect for Canada's second century, it is indeed a dim one. Why don't we all tell our elected representatives that we don't want any more of it? Central-Del Rio is doing so by sending copies of this report to the Minister of Finance and others in government, as well as to the news media.

TO THE SHAREHOLDERS:

During the third quarter, the Company participated in another excellent Keg River reef oilwell, Banff CDR Black Creek Rainbow 10-17, drilled as an east offset to the 11-17 discovery mentioned in the first half report. The 2 wells, in which Central-Del Rio owns a 50% interest, were completed too late in the period to add much to production revenues, and their output was limited for part of the fourth quarter by poor ground conditions which restricted trucking and pipeline construction operations, but the large oil reserves developed have resulted in reduction of the write-off for depletion, with a favorable effect on net earnings. A north step out from the Black Creek 10-17 well, wholly-owned by Central-Del Rio, is now being drilled.

The 10-17 well was one of 19 commenced between July 1 and September 30 or being drilled when the period opened. Of this total, 5 were completed for oil production, one is a gas well, 8 were abandoned and 5 continued drilling into the fourth quarter. The gas well completed in the third quarter, Banff CDR Black Creek Rainbow 15-11, (50% Central-Del Rio) is one of 6 in the area in which the Company holds interests varying from 50 to 100%. The gas and gas liquids reserves attributable to these wells are valuable assets, expected to contribute significantly to future income.

The Company's drilling success ratio for wells which reached total depth during the nine-month period, at nearly one in three, was very good. Thirty-nine wells were drilled to their objectives, resulting in 8 oilwells and 4 gaswells.

Net profit for the nine months ended September 30, at \$2,777,048, or 41 cents per share, was 2% less than the \$2,827,001, or 43 cents per share, earned in the first three quarters of 1966. This represents a considerable improvement on results to mid-1967, when the net was 6% lower than in the opening half of the previous year. Shares outstanding at the end of the third quarter totalled 6,701,491, up 109,098 from the September 30, 1966 figure of 6,592,393.

Gross revenue for the nine months amounted to \$7,227,239, down 5% from the \$7,643,558 received in the same period of 1966 due to reduced crude oil sales, which aggregated 2,748,832 barrels and averaged 10,069 barrels per day, as against the 2,899,449


barrel total and the 10,621 barrel daily average for the first three quarters of last year. As previously noted, sales figures have not yet benefited appreciably from the Company's recent successes at Black Creek.

With oil production continuing through the third quarter at a rate 5% below the record flow of 1966, cash generated from operations in the first three quarters was held to a level 8% under the mark established last year. The comparative figures are \$5,523,001, or 84 cents per share, for the period January 1 to September 30, 1966 and \$5,046,228, or 75 cents per share, for the first nine months of this year.

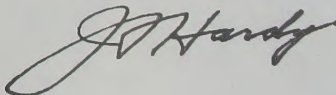
As operations continued to expand, expenditures on land acquisitions, exploration and development in the nine-month period totalled \$4,907,870, up \$1,389,651, or nearly 40% from the \$3,518,219 employed for those purposes in the first three quarters of 1966.

Working capital was \$2,805,044 at the end of the period, as compared with \$3,593,651 on January 1, 1967. The semi-annual cash dividend of 11 cents per share and an extra dividend of 4 cents per share will be paid on December 15 to shareholders of record November 17.

The resignation of Mr. F. V. Stone from the Board of Directors was recently accepted with regret. Mr. Stone, who joined the Board in 1966, contributed much to the Company's planning and progress during his period of service. Mr. H. M. Pickard, a prominent Calgary business executive, has been appointed to fill the vacancy.

Consistent with the Company's increasing use of the initials "CDR" and its recently trademarked symbol  in well names and on reports to shareholders, stationery, cheques, billings, etc., the stock exchange ticker symbol for Central-Del Rio shares has been changed from CLR to CDR.

Calgary, Alberta
December 1, 1967



President



INTERIM REPORT

FIRST QUARTER 1967

"Developing Canada's Resources"

Canadians in 1967 mark the 100th birthday of their nation with a great number and variety of celebrations, exhibitions, cultural and sporting events and building and improvement projects, perhaps the most widely known of which are Expo 67, the World's Fair at Montreal, where Canada plays host to all nations, and the Pan American Games at Winnipeg, where our athletes will compete with those of other Western Hemisphere countries.

This is a time for Canadians to take pride in the international recognition of the stature which our country has attained in the world community in only a century and to be grateful for their good fortune. It is also a time for reflection on the conditions which have made possible the building of a great nation and for resolve that the framework on which it has been built shall not be allowed to crumble.

Historically, the determined and purposeful efforts of individuals and corporations, working in a free enterprise system under government dedicated more to political than to economic management, have continually improved the standard of living of Canadians through the discovery, development and utilization of the resources with which nature has so generously endowed the land. In recent years, however, Canadians have displayed a new and growing tendency to rely on the supposed bounty of big government, resulting in dangerously burdensome taxation, over-regulation of the personal and business affairs of the people and the withering of individual initiative and incentive. These are poor materials for nation building and they were no part of the specifications of 1867. Their incorporation in the country's structure threatens to damage it severely.

Central-Del Rio Oils Limited, a Canadian-born and predominantly Canadian-owned company celebrating its 20th anniversary this year, proud of its part in developing Canada's resources, salutes Canada on its 100th birthday, hopeful that, before it is too late, the public will recognize this danger, begin to resist the temptation to seek something for nothing and revert to the kind of self-reliance which characterized preceding generations. Otherwise, Canadians are likely to have less cause for celebration at the end of another century than they have today.

CENTRAL-DEL RIO OILS LIMITED

TO THE SHAREHOLDERS:

Central-Del Rio's gross income of \$2,427,891 in the three months ended March 31, 1967 closely approached the \$2,435,568 received in the same period of last year. Net crude oil sales revenues of \$2,171,919 were 1% below the 1966 first quarter total of \$2,189,985, but income from other sources was up 4%, from \$245,583 to \$255,972.

The Company's operations generated cash earnings of \$1,684,420, or 25 cents per share, as against \$1,784,125, or 27 cents per share, in last year's opening quarter; and net profit was \$881,420 (13 cents per share), as compared with \$916,125 (14 cents per share) realized in the first three months of 1966.

The decreases of 5.5% in cash generated and 3.8% in net profit were due mainly to higher production and field expenses, although the rate of advance of these costs was reduced, from 26% in the first quarter of 1966 and 30% in the full year, to 19% in the first quarter of 1967. Production and field expenses in the first quarter of this year and last were \$476,048 and \$400,481, respectively.

Administrative and general expenses of \$267,423, as compared with \$250,962 in the opening quarter of last year, were up 6½%, also less than the increases of 23% in the first three months of 1966 and 11½% in the twelve-month period.

Non-cash charges for depletion and depreciation amounted to \$803,000, down 4% from the \$838,000 written off in last year's first quarter.

No provision for income taxes was required because outlays on lands, exploration and development, deductible from income for tax purposes, were at a high level during the period, totalling \$2,367,813, as against \$1,596,850 in the first three months of 1966, when a \$30,000 provision for income taxes was made.

Working capital stood at \$3,362,016 on March 31, down 6% from the year-end figure of \$3,593,651.

A large portion of the quarter's capital expenditures was devoted to seismic work, mostly on our properties in the Rainbow Lake area of northwestern Alberta. The Company's drilling activities did not form as large a part of its exploration program as they did in the same period of 1966. Sixteen wells were drilled, resulting in 3 gas discoveries, of which 2 are on lands at Rainbow wholly-owned by Central-Del Rio and the other, 50% CDR owned, is at Evergreen, in northeastern

AR14

British Columbia. Ten wells were abandoned and 3 had not reached total depth at March 31. One well started at Rainbow in the first quarter has since opened up both oil and gas pay sections in the Sulphur Point-Muskeg-Keg River, but details cannot be released at this time.

Net crude oil sales in the three-month period totalled 934,559 barrels, averaging 10,384 barrels per day, 3% less than the 965,043 barrel aggregate and 10,723 barrel daily average in the first quarter of 1966. The average selling price per barrel was up 2%, from \$2.27 to \$2.32.

The Annual Meeting was held at Calgary on April 18. Many shareholders attended and more than two-thirds of the outstanding shares were represented, either personally or by proxy. This evidence of continued strong interest and support is most gratifying. All directors were re-elected and the shareholders approved the annual report and financial statements, re-appointed the auditors, Price Waterhouse & Co., and approved the reservation of 75,000 shares for the employee incentive stock option plan. Mr. Neil McQueen continues as Chairman of the Board and Mr. John F. Hardy as President.

It was announced at the meeting that a semi-annual dividend of 11 cents per share will be paid on June 15, 1967 to shareholders of record on May 19.

A portion of Mr. Hardy's message to the shareholders follows:

"1966 was a very good year for the Canadian oil industry and for Central-Del Rio. Total Canadian crude oil production exceeded one million barrels per day for the first time, up more than 9½% from the previous year's output. Your Company's production rose 14%, averaging more than 10,500 barrels per day; and we therefore enjoyed a slightly larger share of the total than we did in 1965. The increase in production pushed CDR's net profit for the year over the \$4 million mark for a rate of return approaching 10¼%, both new records for the Company. With cash flow at nearly \$7¼ million, we were able to increase the payout to shareholders by more than 50% and, at the same time, carry out by far the largest single year's exploration program planned by Central-Del Rio since its formation.

These accomplishments resulted from 20 years of work aimed at creating a strong base for future growth. Our net land holdings of more than 3 million acres are nearly 10 times what they were 5 years ago, the

CENTRAL-DEL RIO OILS LIMITED

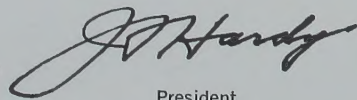
organization is staffed with very competent people in all departments essential to our business and our annual income is now sufficient to sustain an intensive search for new reserves of oil and gas which we must find in order to increase the profitability of your investment, because we are now getting nearly as much as we can out of our presently producing properties.

You should understand, however, that while it might often seem to people who are not directly involved in the action that large-reserve discoveries are made overnight, this is seldom the case. Exploration plays resulting in that kind of success usually span 5 or more years, particularly in remote northern areas where reasonably economic access is restricted to the winter season because of muskeg conditions. A prime example is the currently exciting Rainbow-Zama activity, about which you have heard and read so much and in which your Company has been involved since 1962, three years before oil was discovered in the area. What we have discovered there so far is a large amount of gas, some of it rich in liquids. We expect to begin marketing both the gas and the liquids within the next few years. These are important reserves which will be a source of significant future income to Central-Del Rio.

Last winter, in addition to drilling, we did a lot of seismic work on our Rainbow lands to obtain leads for future drilling, some of which may be carried out this summer. We are optimistic about our prospects of discovering oil on these properties.

Of course, Rainbow is not the only card in our hand. It just happens to be the most newsworthy area at the moment. The Company is also very active in seismic work and drilling in other areas of northern Alberta, in the Northwest Territories, in northeastern British Columbia and in southern Saskatchewan, all excellent prospective discovery areas. What I am saying to you is that after a period of exploitation of our earlier successes in Saskatchewan we have embarked on a whole new phase of the Company's development, much broader in scope, armed with the resources of people, land and income which we need to give us a good chance of repeating and exceeding the achievements of our first 20 years."

Calgary, Alberta
May 15, 1967


President

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	First Quarter	
	1967	1966
Income:		
Crude oil sales, less royalties paid	\$2,171,919	\$2,189,985
Other — fees, investment and miscellaneous	255,972	245,583
	<u>2,427,891</u>	<u>2,435,568</u>
Expenses:		
Production and field	476,048	400,481
Administrative and general	267,423	250,962
	<u>743,471</u>	<u>651,443</u>
Cash generated from operations, before income taxes	1,684,420	1,784,125
Depletion and depreciation	803,000	838,000
Net profit, before income taxes	881,420	946,125
Provision for income taxes	—	30,000
Net profit	\$ 881,420	\$ 916,125
Cash generated per share	25c	27c
Net profit per share	13c	14c

CONSOLIDATED FINANCIAL AND OPERATING SUMMARY

	March 31	December 31
	1967	1966
Financial		
Working capital . . . \$	3,362,016	\$ 3,593,651
Fixed assets—net . . .	37,052,472	35,365,688
Miscellaneous	972,147	972,277
Total assets—net . . .	<u>\$41,386,635</u>	<u>\$39,931,616</u>
Capital stock	\$28,360,587	\$27,786,988
Surplus	<u>13,026,048</u>	<u>12,144,628</u>
Shareholders' investment	<u>\$41,386,635</u>	<u>\$39,931,616</u>

	First Quarter	
	1967	1966
Operating		
Net oil sales—barrels . . .	934,559	965,043
Daily average—barrels . . .	10,384	10,723

SUBJECT TO ADJUSTMENT AND AUDIT AT END OF YEAR